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Publications

# INTERFIRM COMPARISONS

A FORM OF INTERNATIONAL COMPETITIVE BENCHMARKING

The world of business has changed.  
To prosper - and sometimes just to  
survive - corporations must perform  
smarter and more efficiently  
than ever before.



Industry  
Canada Industrie  
Canada



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Canada



*“With the Interfirm, you look at your peers in the industry – your direct competitors – with figures that are much more detailed than can be provided by any other method that I know. Any company that uses an Interfirm Comparison as a tool for managing its future will improve.”*

Distican



## MEETING COMPETITION

In order to be more successful in meeting competition, business managers must develop a better understanding of the competitive factors in the market place. One can evaluate the products, prices, services and even the financial statements of certain firms in the industry. However, it is difficult to compare best operating practices and detailed operating results with your competitors.

Since the 1970's, the Interfirm Comparison Program of Industry Canada has provided this key information to more than 3000 firms in over 90 sectors of the Canadian economy.

While the basic information used in each study is derived from the detailed financial and operating results of the participants, the results of each study are presented in the form of performance ratios to ensure confidentiality.

This is a unique service and for Canadian businesses it is an ideal tool for evaluating operating performance. The information it provides is essential for improving productivity and overall competitiveness.

**“In the Interfirm we gather two types of data: benchmarking information dealing with operating practices in the industry and financial information including balance sheets and statistics such as the square footage of plant and office, and production hours worked et cetera. Then we take all of that away, analyze it and write a specific report for each participating company.”**

*Interfirm Consultant*



*“It's much easier to convince your own people that improvements are needed when you give them reliable evidence that somebody else is doing things better. The Interfirm Comparison program is the best place to get numbers that are reliable. It's hard to get good numbers.”*

Weston Foods



## MEASURING PERFORMANCE

Managing most businesses is rather like driving your car on a highway with no speedometer and no posted speed limit.

An Interfirm Comparison Study indicates both your actual speed in terms of performance ratios calculated for each participating firm, and the speed limit in terms of performance objectives.

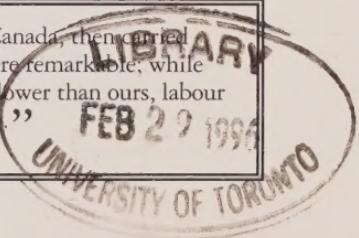
The Study also gathers qualitative information about many of the industry's operating practices. This can be very useful for comparing internal practices with industry norms.

In the course of a study, the performance of each participant is analyzed from a number of perspectives. These include:

- return on assets
- profit margin and asset turnover
- production costs
- operating expenses
- asset utilization
- the level of investment in equipment
- labour productivity
- space utilization

“We did an Interfirm study in one industry in Canada, then carried out an equivalent study in Europe. The results were remarkable; while European labour and material costs were slightly lower than ours, labour productivity was more than double what it is here.”

*Interfirm Consultant*





*“It is impossible for an individual company to go up to a competitor and say “let’s all compare notes here and see how we can improve”. The Interfirm Comparison does just that. There’s no better way to assess your performance.”*

Sign Association of Canada

## MEASURING UP

Each study begins with the consultant visiting each participant to gather the required information and to view each operation. These visits usually take 2 to 4 hours depending on the complexity of the sector and the extent of the study, and should involve one or more of the participant's senior managers.

The consultant then analyzes the information collected on operating practices and prepares a summary which becomes a chapter in each participant's report.

The specific financial and operating information collected from each participant is adjusted where necessary to ensure comparability and then entered into a computer program that generates the performance ratios. These ratios for all participants are then displayed on spread sheets.

**“When the Interfirm report arrived, I got my managers together and put up the overall industry averages for each ratio on the wall. Then I asked them to guess how we compared to the average. In every case they estimated our results well above the real ones. Now I had their attention! Three hours later, working with a highly motivated group, I had a complete action plan of how to improve each ratio that was below the optimum level.”**

*Canadian manager*

**“We identified a couple of key things to get to work on right away, but we also saw a couple of areas we didn’t have to change because our performance was already at the top of the chart. That allowed for efficient targeting of our resources.”**

Goulds Pumps Canada



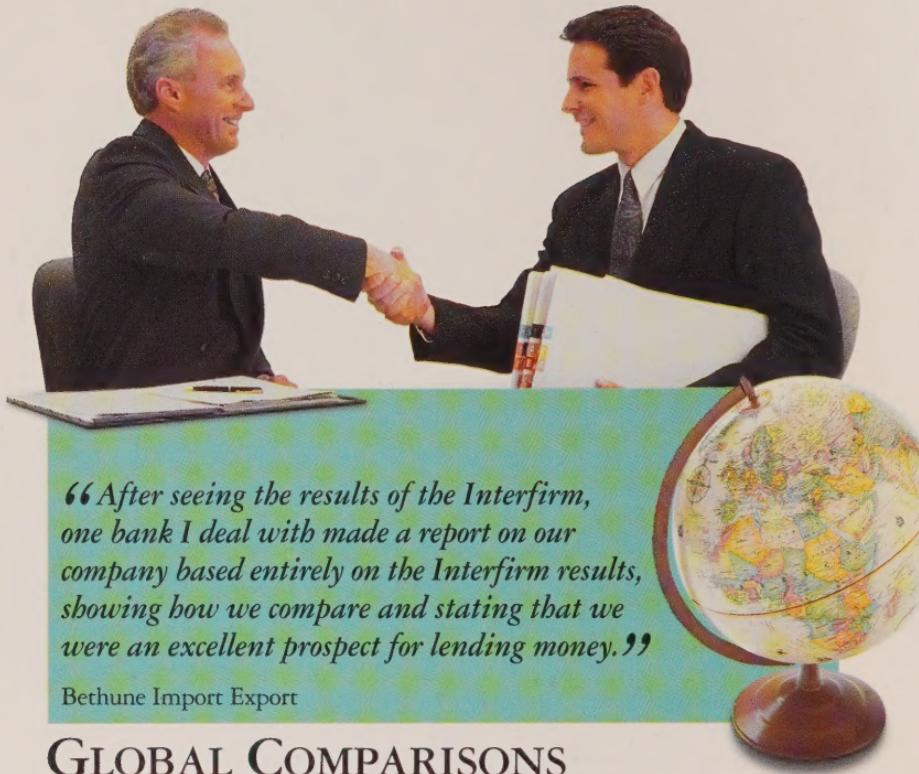
Next, performance ratio objectives are developed. These objectives are set at a level already being obtained by some of the top firms in the group for each ratio. All ratio results are ranked from highest to lowest on the summary ratio table.

The particular performance of each participant is then evaluated by comparing its results with those of the other participants and with the study objectives.

Finally, a separate report is prepared for each participant in which strengths and weaknesses are identified and recommendations are made to improve all areas of performance to the “objective level” set in the study. This report is then explained in detail during a briefing meeting with the firm’s management.

**“We discovered that, compared to other firms doing business in the same sector, one firm suffered unduly high material costs. Their labour costs, on the other hand, were right in line – in fact they were quite low. The owner of the company was surprised by this revelation, as he had spent the last three years focusing mainly on labour costs. He then decided to shift his focus to procurement practices, sources of supply, scrap rates, and design of product in terms of usage of material.”**

*Interfirm Consultant*



*“After seeing the results of the Interfirm, one bank I deal with made a report on our company based entirely on the Interfirm results, showing how we compare and stating that we were an excellent prospect for lending money.”*

Bethune Import Export

## GLOBAL COMPARISONS

Because we must now be prepared to compete in the global market place, the Interfirm Comparison Program has been broadened to include similar firms from other countries. Where it is obvious that competition from the USA is establishing the competitive norms in the Canadian market, a group of similar US firms will be set up. In these cases, both the U.S. and Canadian median performance results are compared and provided to all participants in the study.

**“In a recent study we asked whether Canadian firms were competing aggressively in the States. The general answer was “No, we can’t compete because American technology is superior, material and labour costs are lower, and the market is larger.” So we did a similar study in the States, put the two results side by side and showed that in most areas there is very little difference at all. Other than potential opportunity for sales, the markets are identical. Our problem as Canadians seemed to be related to marketing, not manufacturing.”**

*Interfirm Consultant*



*"We now have specific objectives in our budget worked out from the Interfirm analysis. It's a short report but straight to the point - a fair analysis that lets you know exactly where you sit. I rate it excellent."*

Shermag Furniture

## FEATURES

Each participant in an Interfirm Study can expect to receive:

- A detailed analysis of operating performance based on the results of as many as 40 carefully selected performance ratios.
- A detailed comparison of performance with up to 30 similar firms in their industry sector.
- A set of recommendations for performance improvement where measured performance is below the objectives established for the study.
- An analysis of many of the best operating practices used in the industry.
- Where there is evidence of competition from imported product, the median results, if possible, of a similar study done in the country of origin of the competitive product.
- A follow-up service whereby the consultant reviews and interprets the performance results with management and explores possible remedial actions to address areas of weakness.
- Confidentiality of data and ratio results of individual participants is protected under the Access to Information Act.

**"In the Interfirm Comparison program, we get the best of both worlds. The studies are organized and managed by the Canadian government, which is uniquely positioned to offer consistent, confidential, unbiased reporting to participating firms, but the work is carried out by private sector consultants with extensive industry experience."**

*Interfirm Consultant*

# **INTERFIRM COMPARISONS**

## **PERFORMANCE.**

## **PRODUCTIVITY.**

## **COMPETITIVENESS.**

These are the values of business  
in the nineties.

Industry Canada  
is committed to helping Canadian businesses  
be productive and stay competitive.

If your company wants more information  
on what an Interfirm Comparison is or how it  
works, you may wish to view our Interfirm  
video or contact us directly at:

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